Washington, D.C. Media Center: Tribune's group ownership has also facilitated the creation of its Washington, D.C. Media Center, consolidating and expanding on the more traditional "news bureaus" Tribune has had in Washington for several years. This media center will permit each Tribune station to cover the national news with a perspective unique to its local market. Tribune will spend approximately $1.3 million in 1995 to provide its stations with this coverage. The expanded coverage of national news, which individual stations could not afford, is only possible because Tribune has achieved an ownership size that permits it to amortize the costs of the media center over a sufficiently large station base.

The development of a Washington Media Center, which also benefits from Tribune's newspaper holdings, clearly represents an increase in viewpoint diversity that has occurred only as a result of the Commission's decision to permit multiple ownership.[12] National news coverage on Tribune stations has also

---

[12] Although Tribune recognizes that the Commission is currently unable to reevaluate the newspaper cross-ownership restriction, Tribune nonetheless urges the Commission to do so at the first opportunity available to it. Tribune's Washington, D.C. Media Center presents a powerful example of the pro-competitive, pro-diversity benefits that flow from newspaper-television cross-ownership. Because the media center will house the Washington bureaus of Tribune's newspapers as well as a national television staff, Tribune's newspaper reporters will serve as on-air experts in their specialty areas, thus broadening and improving the quality of the national coverage provided to Tribune's radio and television stations and their audiences. Tribune has achieved similar synergies at its CLTV cable news channel in Chicago. "Cable, print alliance blossoms in Chicago," Electronic Media, April 10, 1995, at 54 (Chicago Tribune's veteran newspaper
(continued...)

benefitted from group ownership. Tribune's stations have regularly exchanged and enhanced coverage of stories, e.g. full coverage of the O.J. Simpson developments in Los Angeles and other breaking news stories in New York, Chicago, Los Angeles, Denver and Atlanta, and have thereby increased the sources and viewpoints of national news coverage available to local viewers served by Tribune's stations. If the Commission were to increase the national ownership limit, Tribune would be able to expand further its national news coverage.

Creation of New Syndicated Programming: Tribune's increased group size has also permitted it to become more active in launching new syndicated programming. Through pooling the resources of its television station group with the Tribune Entertainment Company (Tribune's program production subsidiary), Tribune is often able to produce new programming ideas within existing station production facilities (thereby reducing risks and production costs) and to test those programs at reasonable cost over its television station group. For example, Tribune's recent national roll-out of The Charles Perez Show began on Tribune's eight stations and has now been released into full national syndication.

---

[12] (...continued)
reporters "add depth, detail and nuance to stories when they're interviewed by CLTV staffers.").

Without question, viewpoint diversity has been strengthened as a result of Tribune's group ownership. Tribune's broadcast experience, combined with the economic strength and benefits of group ownership, have added to the diversity of viewpoints in markets served by Tribune stations. Tribune's experience clearly illustrates that true "localism" lies in committed group owners with the resources necessary to invest in the news and public affairs programming the Commission seeks to encourage.

UHF DISCOUNT: Tribune strongly supports the continuation of the "UHF discount" in whatever national ownership limit the Commission ultimately selects. As detailed below, the basis for continuation of the discount is best illustrated by the recent multiple affiliation switches among networks and by a review of audience ratings in a number of large television markets, including several markets where CBS switched affiliation to UHF stations.

The recent spate of affiliation switches -- 68 stations in 33 markets -- and the resulting reported increase of over $250 million in annual affiliate compensation costs, are perhaps the best illustration that the gap between UHF and VHF stations has persisted. The primary driving force behind this activity has been the premium all four national networks placed on the value of VHF television stations. Quite clearly, the increase in affiliation payments reflects the collective judgment of the big three networks to defend their remaining VHF outlets in order to maximize their ability to attract the widest possible audience.

These transactions vividly illustrate that despite the advent of must-carry regulations and the growth of cable television, the market does not believe that the gap between VHF and UHF stations has been significantly narrowed.[13] This gap is also clearly illustrated by a comparison of ratings in markets like New York and Los Angeles, where a number of independent VHF stations compete with network affiliated VHF stations, with ratings in Boston and Philadelphia, where independent UHF stations compete with network affiliated VHF stations.

In New York and Los Angeles, there are respectively three and four independent VHF stations competing with the VHF affiliates of the three established networks. As the following table demonstrates, the rating results from 1994 show that while the affiliates of the three established networks have the highest total-day audience share, the independent VHF stations all produce competitive audience shares:

---

[13] This disparity goes beyond the fact that only two-thirds of television households subscribe to cable television. What is increasingly evident is that UHF channels face an uphill struggle changing traditional viewing habits.

NEW YORK			LOS ANGELES		
Station	Aff'n	1994 share	Station	Aff'n	1994 share
WCBS/2	CBS	13.25	KCBS/2	CBS	12.75
WNBC/4	NBC	14.00	KNBC/4	NBC	13.25
WABC/7	ABC	17.75	KABC/7	ABC	15.50
WWOR/9	Ind.	9.50	KTLA/5	Ind.	9.375
WNYW/5	Fox	10.50	KCAL/9	Ind.	6.50
WPIX/11	Ind.	9.75	KTTV/11	Fox	11.50
			KCOP/13	Ind.	9.00

By contrast, the total-day audience shares in Philadelphia and Boston are skewed disproportionately to the three VHF affiliates of the established networks. In these markets, the UHF independents clearly do not have the same competitive presence. These results are set forth in the following table:

PHILADELPHIA			BOSTON		
Station	Aff'n	1994 share	Station	Aff'n	1994 share
WPVI/6	ABC	24.00	WCVB/5	ABC	16.50
WCAU/10	CBS	16.50	WHDH/7	CBS	16.50
KYW/3	NBC	13.75	WBZ/4	NBC	15.75
WPHL/17	Ind.	4.75	WFXT/25	Fox	6.75
WTXF/29	Fox	9.00	WSBK/38	Ind.	4.50
WGBS/57	Ind.	4.00	WLVI/56	Ind.	5.00

The comparison between these markets strongly suggests that, regardless of the advent of cable carriage, there remains a significant audience gap between VHF stations and UHF stations.

This audience acceptance gap is also illustrated by the audience shares in certain markets where CBS switched affiliation to a previously unaffiliated UHF station.

In Detroit, Milwaukee and Atlanta, CBS switched its affiliation from a VHF station to a previously unaffiliated UHF station.[14] In these markets, CBS experienced prime time share declines ranging between 35-50 percent for all television households and similar declines in its share among viewers aged 18-54 (ranging from 26 percent-46 percent). These declines are illustrated in the following table.

			Prime Time TV Households Rating/Share			Prime Time Adults 18-54 Rating/Share		
Market-Affiliation	**From**	**To**	**Before**	**Feb 95**	**% Chg.**	**Before**	**Feb 95**	**% Chg.**
Atlanta-CBS	WAGA-TV/5	WGNX-TV/46	13.4/20	9.0/13	<35>	7.6/15	5.4/11	<26>
Detroit-CBS	WJBK-TV/2	WGPR-TV/62	12.9/20	7.7/12	<40>	6.2/15	39.8	<40>
Milw.-CBS	WITI-TV/6	WDJT-TV/58	12.4/20	6.7/10	<50>	6.2/15	3.3/8	<46>

Clearly, even the demonstrated popularity of network programming could not overcome the audience acceptance gap following the affiliate switch to a previously unaffiliated UHF station.

These CBS audience results, the comparison of audience distribution in New York and Los Angeles with Philadelphia and Boston and the unmistakable message from the dramatic affiliation

---

[14] Post-affiliation switch rating information is from the February 1995 sweeps period.

switches in the past eighteen months illustrate that the UHF-VHF gap remains alive and well in 1995. Accordingly, Tribune urges that the UHF discount be retained in whatever national ownership limit is ultimately adopted.

In summary, Tribune submits that its group ownership has contributed to an increase in viewpoint diversity in the markets it serves. With increasing vertical and horizontal consolidation in the cable industry and the looming entry of the RBOCs, Tribune believes that the future of independent broadcast television lies in large group owners. These owners can translate their operating efficiencies into high quality local programming that will give them the ability to compete in the future with basic cable networks for syndicated programming. They can also create the economies of scale and operating results to attract the levels of lending and equity capital necessary to compete in the mass media marketplace.

LOCAL OWNERSHIP RULES

As noted above, Tribune urges the Commission to permit common ownership of two television stations in the same market provided that one of the television stations broadcasts on a UHF channel. Local duopolies involving at least one UHF station will actually increase competition in the market. After explaining this position, this section outlines Tribune's views on gauging competition in local markets and concludes by showing that duopolies will also increase viewpoint diversity.

The conventional wisdom that duopolies diminish competition is misplaced at least in instances where one UHF station is involved. In these instances, duopolies will increase competition by permitting established broadcasters who are already familiar with a local market and its particular viewing habits to improve the competitive position of weaker UHF stations in the market vis-a-vis other television stations and cable competitors. Tribune submits that such a policy is increasingly necessary given the dramatic increase in the number of independent television stations since 1970 and the overall decline in average audience share of independent stations in the last decade. See supra at 7-8. This policy -- designed to enhance the competitive strength of weak, over-the-air broadcasters -- is decidedly in the public interest in light of the increasing competition from other providers who charge for their video services.

Without question, local television duopolies will create significant economies of scale for television operators. Tribune estimates that, depending on the market, these savings -- in so-called back room operations such as engineering, traffic, and accounting as well as occupancy related savings like rent, taxes, and insurance -- will equal somewhere between 15-25 percent of the combined operating budgets of two stand-alone stations.[15] Duopolies will also make investments in local programming easier to justify because both the risks and initial costs of starting or expanding a local news operation, for example, can be spread over two stations rather than one.

Local duopoly owners can begin to develop an audience for their second UHF station through cross-promotions and by investing the cost savings realized from joint operations into high-quality local programming that will serve the public interest. These efforts will help to establish an identity for the weaker UHF station, thereby increasing competition in the respective market. Duopolies will therefore help to lower a significant entry barrier for new networks -- the lack of established, successful outlets to clear their programming -- and increase the likelihood of a successful new network launch.

Although the Fox network has clearly evolved into a significant competitive force in the industry, the struggle for audience acceptance took a considerable commitment of both time and money to win over/change audience viewing patterns, including several years of multimillion dollar losses. Even recently, a large part of the growth of the Fox network flowed from its $1.59 billion bid for NFC broadcast rights. While this acquisition made Fox programming more attractive, it did not come

---

[15] As demonstrated in the next subsection, these significant efficiencies will be created while separate identities of the stations are maintained, and indeed enhanced, by the duopoly.

inexpensively as Fox's parent, News Corp., has already taken a $350 million charge against earnings representing the advertising shortfall of the contract over its four-year term. "News Corp. Offsets NFL Loss," Broadcasting & Cable, Feb. 13, 1995, at 45.

The promise of duopolies where one of the stations broadcasts on a UHF channel is that the struggle for audience acceptance on the second station can begin without such a massive commitment of resources. Because these duopolies will also permit independent television broadcasters to respond to the competitive challenges of the cable industry by allowing them to develop and exploit new audiences efficiently, Tribune urges the Commission to permit duopolies involving at least one UHF channel.

Evaluating Local Competition: In response to the Commission's explicit request, Tribune submits that a number of the Commission's tentative conclusions regarding the evaluation of competition in the local marketplace need to be refined. First and foremost, Tribune submits that the Commission's decision to count local cable system operators as one single provider of video programming in a local market understates the competitive impact of these services. Instead, Tribune believes the Commission should include in the market each basic cable channel carried in the region that: (a) provides video programming reasonably similar to video programming provided by television broadcast stations, and (b) sells advertising. This definition would exclude public access channels.

As demonstrated above, the basic cable networks are collectively chipping away at the audience levels of over-the-air television broadcasters. This trend is likely to continue.[16] Because basic cable channels do provide real competitive threats to free, over-the-air television broadcasters, both for local viewers and advertisers, the Commission should not ignore their substitutability for over-the-air broadcasters in evaluating competition in the market.[17]

Second, Tribune suggests that in evaluating the competitiveness of any local market, the Commission should use total-day audience share to measure concentration. Simply put,

---

[16] The Cable Services Bureau recently reported that at least 12 basic cable networks have gained a million or more subscribers since the Commission adopted its going forward rules. Report on the Impact of Going Forward Rules at 2 (Cable Serv. Div. Mar. 23 1995). The increased penetration for these networks can only increase their ability to attract audience away from over-the-air television broadcasters.

[17] Tribune also submits that the Commission should not exclude video cassette recorders ("VCRs") from the market merely "because they do not provide a complete schedule of video programming." FNPRM ¶ 30. In 1994, more than 84 million U.S. households owned VCRs and collectively those households spent as much money purchasing and renting videos ($14 billion) in 1994 as the combined total of 1993 advertising revenues for all the basic cable networks ($4.6 billion) and the big three networks ($9.4 billion). VCRs are clearly a well established substitute provider of video programming both to consumers and programmers. Tribune urges the Commission to consider VCRs in markets with high VCR penetration levels as a reasonable substitute to the video programming provided by television broadcasters.

audience share ratings most effectively: 1) capture the underlying competitiveness of a market, 2) illustrate the relative competitive positions of stations in a proposed duopoly and 3) predict the likely effect of a proposed merger on both viewers and advertisers.

In evaluating a market, Tribune believes the Commission should focus on current audience share information. To satisfy the Commission's concern that ratings results can vary over time (FNPRM ¶ 34), Tribune proposes the following. In instances where a proposed duopoly presents a combined audience level that raises competitive concerns, the Commission should expand its review to include total-day audience share over the past three years. In this way, the Commission can effectively consider recent changes in a station's popularity and effectively evaluate the likely effects of the proposed duopoly.[18] With this expanded review in close cases, Tribune submits that the Commission would not need to, and should not, monitor the audience shares of the combined stations into the future.

Duopolies and Viewpoint Diversity: Tribune supports the Commission's reevaluation of the so-called "traditional" school of thought that an increase or decrease in outlet diversity creates a corresponding change in viewpoint diversity.

---

[18] The Commission should also look for evidence that would explain or predict future ratings declines like the loss of a major network affiliation.

This rationale is fundamentally flawed because broadcast television, regardless of the owner, is still a business seeking to attract as large an audience as possible. The Commission has implicitly acknowledged as much when it asked the following question in this proceeding:

> [G]iven that the pursuit of large audiences may drive all licensees -- whether group owners or not -- towards the exclusion of controversial, non-mainstream subjects from their programming, does ownership diversity, indeed, have any major effect on viewpoint diversity with respect to television?

FNPRM ¶ 97.

The clear, unambiguous answer to this question is no. Tribune submits that once the Commission recognizes that individual owners will, by economic necessity, program to attract the widest possible audience, the Commission can take a concrete step toward improving viewpoint diversity by permitting duopolies. As demonstrated more fully below, duopolies will enhance viewpoint diversity because the duopoly owner will program each station to attract different audiences.

Duopolies will increase viewpoint diversity because the goal of every rational television duopoly owner will be to differentiate the product of both stations in order to attract the widest possible total audience on the two stations. Simply stated, the owner of a duopoly has no incentive to provide programming on both stations that appeals to the same audience. Just as cable networks have successfully exploited their existing infrastructure to develop programming that serves new audience segments, local duopoly owners will be free to develop and differentiate their second stations. In this market driven process, overall viewpoint diversity will be enhanced.[19]

In sum, duopolies will improve overall efficiency in the market by permitting experienced broadcasters to capitalize on their existing infrastructure to develop and differentiate a second station in the market. Duopolies will also allow television broadcasters, especially independent broadcasters, to meet the competitive challenge of the cable networks in both the advertising markets and the syndicated programming market. This change will permit independent television broadcasters to continue to provide high quality, free, over-the-air entertainment, news and public affairs programming to all Americans. For these reasons, Tribune urges the Commission to permit local duopolies in markets where one station broadcasts on a UHF channel.

---

[19] As noted above, Tribune strongly believes that this expanded viewpoint diversity will include differentiated local public affairs and news programming as television broadcasters struggle to differentiate their product from the increasing number of alternative video programming providers. "Counter-programming" has always been the hallmark of independent television.

CONCLUSION

Cable television has revolutionized the television viewing habits of the American public. Competition in the delivered video programming market will only intensify with the pending arrival of the RBOCs and the continued development of new technologies like DBS, MMDS and VDT. This increasing competition threatens the continued ability of independent television broadcasters to provide high quality, free, over-the-air television service.

Tribune is committed to providing the highest quality, over-the-air television service into the twenty-first century. To be able to fulfill this commitment, Tribune urges the Commission to amend its ownership rules as proposed to permit independent television broadcasters to meet these competitive challenges.

Respectfully submitted,

TRIBUNE BROADCASTING COMPANY

By ______________________

R. Clark Wadlow
Mark D. Schneider
Thomas P. Van Wazer

Its Counsel

Sidley & Austin
1722 Eye Street, N.W.
Washington, D.C. 20006
(202) 736-8000